

## What is the evidence for the need for CABOC Legislative Proposal, 2022?

Since 2006, evidence of school bond program fraud, waste and abuse has been seen in 29 school districts across 12 counties in all regions of California. Thirty-six documents are listed in the table below--audits, civil grand jury investigations, court filings and decisions, forensic investigations, attorney letters and the SEC. Each shows multiple allegations or proven incidences of mismanagement of school bond funds.

The amount of bond money spent in these districts on public school facilities totals tens of billions of dollars of taxpayer funds, with billions spent each year. This evidence underscores the urgent need to support CABOC's legislative proposal to strengthen Citizens' Bond Oversight Committees (CBOCs) per recommendations made by the Little Hoover Commission in 2009 and, again, in 2017.

For example, in 2015, following a Civil Grand Jury investigation, West Contra Costa Unified School District's bond program was the subject of a forensic accounting investigation concerning 65 allegations of financial improprieties and mismanagement brought by a whistleblower. All but seven of these allegations were assigned either "medium" or "high" risk scores by investigators. Half of the "high" risk allegations were categorized as "Budgeting Practices". For example, "There is no system, process or individual, responsible or capable of controlling project spending" and the "District increases budgets to match actual costs." Investigators defined "high" risk allegations as having "...a high likelihood that the District may be at risk for waste, improper expenditure or fraud (financial irregularity)," adding, "The dollar impact ... and the impact on public perception/trust would be significant."

The final report of this investigation, received in 2016, included 112 recommendations, most (78) of which were to lower risk to the district of financial losses. Despite urgency expressed in the report, *five years later*, with WCCUSD having spent nearly half a billion dollars in this period, the majority of investigators' recommendations—including 20 high risk ones—are yet to be verified as fully implemented by third-parties' auditors.

WCCUSD's bond program started in 1998. Expenditures to date total more than \$1.6 billion with annual expenditures of \$60-80 million. Just under \$200 million of the program total, about 15%, comes from grants from the State of California funded by state-wide bond measures.

**Summary of Documents Showing Need for CABOC’s Legislative Proposal**

Key	Description	Incidences since 2006
A	Audit (California State Auditor or Controller, FCMAT or Outside CPA)	10
CG J	Civil Grand Jury for a specific county	15
CD	Court decision	5
CF	Court filing	2
FE	Forensic Examination	2
L	Letter attorney	1
SE C	Securities and Exchange Commission Order, United States of America	1

Definitions: “Fraud,” “Waste,” and “Abuse” are technical terms defined in *Government Accounting Standards* (also known as the *Yellow Book*), 2018 Revision, U.S. Government Accountability Office (an office of the U.S. Congress), Comptroller General of the United States<sup>1</sup> :

**Abuse:** Behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances, but excludes fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements.

**Fraud:** Involves obtaining something of value through willful misrepresentation. Whether an act is, in fact, fraud is determined through the judicial or other adjudicative system and is beyond auditors’ professional responsibility.

**Waste:** The act of using or expending resources carelessly, extravagantly, or to no purpose. Waste can include activities that do not include abuse and does not necessarily involve a violation of law.

The documents below reference investigations, civil grand jury reports, audits reports, and other studies concerning actions, conditions, and outcomes concerning the school construction bond-funded programs of California K-12 school districts and community college districts that display poor management practices, or could potentially be considered as, incidents of fraud, waste, and/or abuse.

<sup>1</sup> Government Auditing Standards, 2018 Revision, Comptroller General of the United States, July 2018

**California Association of Bond Oversight Committees (CABOC)**

**Legislative Proposal, 2022**

**Evidence of the Need**

Version 2

11.14.21

11/14/2021 8:42 PM

District	County	Year	Type *	Source
Alum Rock Union Elementary School District	Santa Clara	2019	A	California State Auditor
Alum Rock Union Elementary School District	Santa Clara	2018	CGJ	County Civil Grand Jury
Alum Rock Union Elementary School District	Santa Clara	2017	A	FCMAT
Bassett Unified School District	Los Angeles	2019	L	Leal Trejo Attorneys At Law
Benicia Unified School District	Solano	2015-16	CGJ	County Civil Grand Jury
Cabrillo Community College District	San Mateo	2006-07	CGJ	County Civil Grand Jury
Contra Cost County Districts	Contra Costa	2012	CGJ	County Civil Grand Jury
Corona-Norco Unified School District	Riverside	2019	A	FCMAT
De Norte County Unified School District	Del Norte	2020	A	Wilkinson Hadley King Co. LLP , CPA
East Side Union High School District	Santa Clara	2003-04	CGJ	County Civil Grand Jury
El Rancho Unified School District	Los Angeles	2020	A	FCMAT
Fresno Unified School District	Fresno	2020	CD	Court of Appeals, Firth District
Grossmont Union High School District	San Diego	2013	CGJ	County Civil Grand Jury
Hermosa Beach City School District	Los Angeles	2006	CD	Court of Appeals, Second District
La Honda Pescadero Unified School District - complaint	San Mateo	2009	CF	San Mateo Superior Court
La Honda Pescadero Unified School District - reply	San Mateo	2009	CF	San Mateo Superior Court

**California Association of Bond Oversight Committees (CABOC)**

**Legislative Proposal, 2022**

**Evidence of the Need**

Version 2

11.14.21

11/14/2021 8:42 PM

Los Angeles Community College District	Los Angeles	2011	A	California State Controller
Montebello Unified School District	Los Angeles	2018	A	FCMAT
Montebello Unified School District	Los Angeles	2017	A	California State Auditor
Mt. Diablo Unified School District	Contra Costa	2010-11	CGJ	County Civil Grand Jury
Oakland Unified School District	Alameda	2018-19	CGJ	County Civil Grand Jury
Pajaro Valley Unified School District	Santa Cruz	2017	CGJ	County Civil Grand Jury
Paso Robles School District	San Luis Obispo	2020	CGJ	County Civil Grand Jury
San Diego Unified School District	San Diego	2013	CD	Court of Appeals, Fourth District
San Joaquin Delta College	Riverside	2008	A	California State Controller
San Mateo Community College District	San Mateo	2011	CGJ	County Civil Grand Jury
San Mateo County Districts	San Mateo	2009-10	CGJ	County Civil Grand Jury
San Ysidro School District	San Diego	2016	CGJ	County Civil Grand Jury
Solano Community College District	Solano	2014-15	CGJ	County Civil Grand Jury
South San Francisco Unified School District	San Mateo	2015	FE	Cossolias Wilson Dominguez Leavitt, CPA
Sweetwater Union High School District	San Diego	2021	SEC	Securities and Exchange Commission
Sweetwater Union High School District	San Diego	2019	CD	Court of Appeals, Fourth District
Sweetwater Union High School District	San Diego	2020	A	FCMAT

**California Association of Bond Oversight Committees (CABOC)  
Legislative Proposal, 2022**

Version 2

11.14.21

**Evidence of the Need**

11/14/2021 8:42 PM

Vista Unified School District	San Diego	2008	CD	Court of Appeals, Fourth District
West Contra Costa Unified School District	Contra Costa	2015	CGJ	County Civil Grand Jury
West Contra Costa Unified School District	Contra Costa	2016	FE	Vicenti, Lloyd & Stutzman LLP, CPA

\* Type Key:

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**Legislative Proposal, 2022**  
**Evidence of the Need**  
**Other Studies**

Version 2  
11.14.21  
11/14/2021 8:42 PM

Little Hoover Commission June 2009 Report, *Bond Spending: Expanding & Enhancing Oversight*

Little Hoover Commission February 2017 Report, *Borrowed Money: Opportunities for Stronger Bond Oversight*.

*Audits of Public School Construction Program, A Literature Review*, Office of the District of Columbia Auditor, July1, 2015

Bond Clearing House, various articles on Proposition 39 bond oversight in California

*Cashing in on Education*, California's school bond system is dominated by well-funded private interests and plagued by a lack of oversight, Brian Krans, November 2, 2018

*Citizen Oversight of Public School Construction Programs, In Search of Promising Practice*, 21<sup>st</sup> Century School Fund, February 12, 2003

Department of General Services, the Division of the State Architect lacks enforcement authority and has weak oversight procedures, increasing the risk that school construction projects may be unsafe. California State Auditor, December 2011.

*How to Perform an Effective Performance Audit* , Moss Adams, October 2021

*Financial and Performance Audit Requirements Under Proposition 39*, Renee Graves, CPA, Vicenti, Lloyd & Stutzman LLP, May 7, 2015

**Access to Documents Listed Above**

The documents listed above can be accessed through the California Association of Bond Oversight Committee website [bondoversight.org](http://bondoversight.org) and then go to the **Poor Management Practices** button.